



City Councilmember
Carl DeMaio

News Release

DeMaio Unveils “Roadmap to Recovery” Plan that Balances City’s Budget and Reforms Pension System

*Five Year Plan Generates Over \$1 Billion in Cost Savings
and Adopts New Approaches to Providing City Services*

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SAN DIEGO –City Councilmember Carl DeMaio today unveiled a comprehensive five-year financial recovery plan that balances the city’s budget and restructures long-term city finances to eliminate the city’s structural budget deficit.

“To fix the city’s financial problems and safeguard our neighborhood services, we must embrace new approaches in city government,” noted DeMaio.

Titled the “Roadmap to Recovery,” DeMaio’s plan borrows some elements of the bankruptcy process – with the imposition of a five year mandatory spending caps, reorganizing city operations, and restructuring several significant liabilities facing the city.

The centerpiece of DeMaio’s plan is a heavy dose of pension reforms – including a freeze on “pensionable pay,” creation of several more affordable pension options, and requiring city employees to share in increased costs and investment risks in the pension system.

DeMaio noted that fixing the city’s financial problems will require several tough, but necessary adjustments in city labor contracts.

Reforming “Pensionable Pay:”

The most powerful way to reduce long-term pension costs is to reform the “pensionable pay” for current employees that is used to calculate benefit payouts.

To achieve immediate budget savings and reduce long-term pension debt, the plan calls for city base salaries plus pensionable special pays to be reduced by 5 to 8.5% (depending on bargaining units), then frozen for the full five years of the recovery plan. This reform alone will reduce the city’s annual pension payment by 20% over current projections by FY 16 – an annual savings of up to \$53 million for the City’s General Fund that can be shifted back to supporting core city services.

Highlights

*\$80 Million in Cost Savings to Solve
FY 12 Budget Deficit*

*No Cuts to Police and Fire
Services – Restores Brownd
Out Fire Stations*

*Suggests Plan Be Put To Public
Vote to Establish a Five Year
Spending Cap*

*Reforms “Pensionable Pay” and
Freezes for 5 Years*

*Reduces Annual Pension Costs by
20% Over 5 Years*

*Employees Should Contribute
“Substantially Equal” for Pensions*

*Creates Neighborhood
Infrastructure Reserve*

Cancels New City Hall Project

*Implements Competitive
Bidding on 11 Functions*

*Produces \$737 Million in Savings in
Retiree Health and Pension Costs*

*Produces \$304 Million in
Savings from Reorganization*

Pension Opt-Out Program:

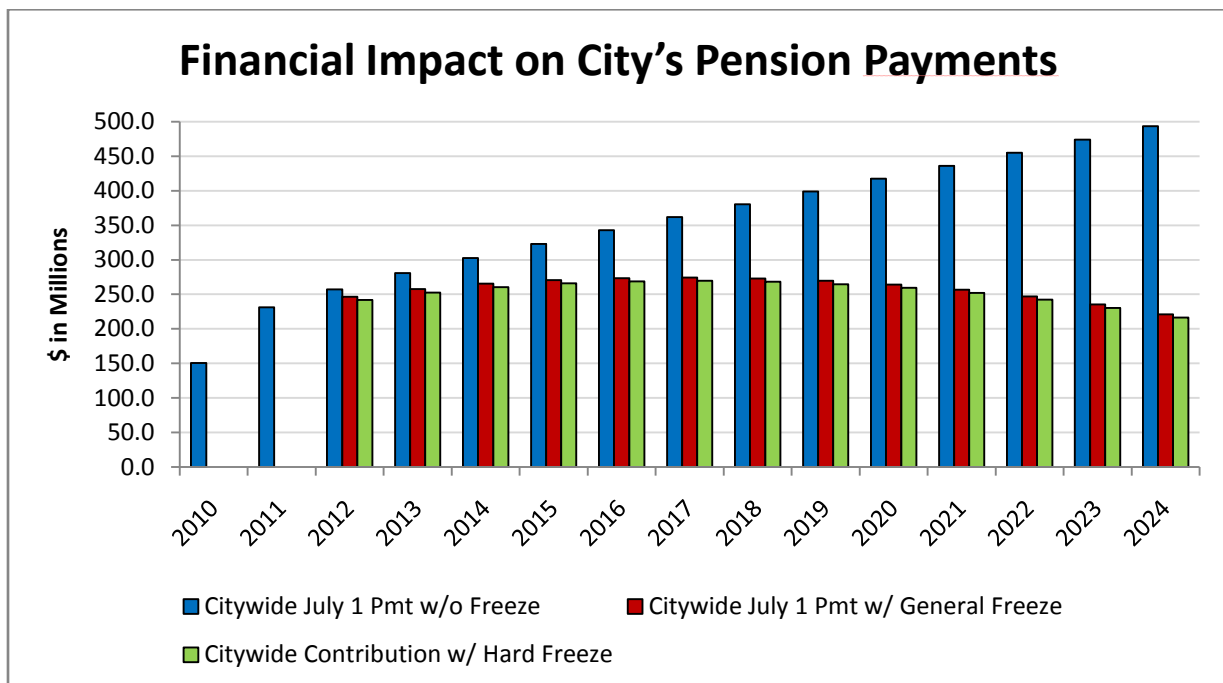
DeMaio's plan also establishes new affordable pension tiers, including a defined contribution plan. To provide incentives for city employees to voluntarily "opt-out" of unsustainable pension benefit levels, city employees will be required to pay a fair share of the cost of pension benefits – and should share in the risk of investment losses. As city employees see more take-home pay consumed by the pension system, many may decide to voluntarily opt-out to lower, more affordable pension plans.

Streamlining Government:

Over 1000 budgeted city positions (excluding police and fire) will be examined under reorganization of support functions and competitive bidding on 11 city services – ranging from landscaping, auto maintenance, information technology and trash collection.

Provide "Share in Savings" Incentive Pool:

To benefit both taxpayers and city employees, DeMaio proposes to create a "Share-in-Savings" Incentive Pool for city employees who could receive "non-pensionable" payments to augment their take-home pay in FY 15 and FY 16 assuming that city-wide cost savings targets are met.



Anticipating a "can't do" culture at City Hall, the Roadmap to Recovery includes extensive citations on the legal authorities and mechanisms to implement every reform proposed. The plan also has been reviewed and scored by an independent pension actuary.

"I hope this plan gets people talking about how we can creatively solve the city's problems, rather than fighting over all the reasons why we can't make change happen. Achieving a full recovery will require city leaders put aside differences and work cooperatively together for the good of our city," DeMaio concluded.

A full copy of the 90-plus page plan is located on www.CleanUpCityHall.com